

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT

(A COMPONENT UNIT OF GRAND COUNTY)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
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FOR THE YEAR ENDED DECEMBER 31, 2005**

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(A COMPONENT UNIT OF GRAND COUNTY)
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INDEPENDENT AUDITORS' REPORT

Administrative Control Board
Grand County Recreation
Special Service District
Moab, Utah 84532

We have audited the accompanying financial statements of governmental activities and each major fund of Grand County Recreation Special Service District (a component unit of Grand County) as of December 31, 2005, and for the year then ended, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand County Recreation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respectively financial position of the governmental activities, and each major fund of the District as of December 31, 2005, and the respective changes in financial position, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Governmental Auditing Standards, we have also issued our report dated June 8, 2006 on our consideration of Grand County Recreation Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management, Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

June 8, 2006

**GRAND COUNTY RECREATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Our discussion and analysis of Grand County Recreation Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2005 and comparison information for the fiscal year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

- ❖ The District's net assets increased \$520,316 as a result of this year's operations. Net assets of our governmental activities (the only activity that the District has) increased by 25%.
- ❖ Total expenses of \$272,823 were \$208,630 less than the previous year and all of the expenses used general revenues that are not restricted to specific programs or purposes.
- ❖ Mineral lease revenue and payment in lieu of taxes for the year ended December 31, 2005 was \$625,551 and \$115,816, respectively. Mineral lease revenue increased by \$134,514 and payment in lieu of taxes increased by \$3,453 from the year ended December 31, 2004.
- ❖ The Capital Project Fund reported an increase in Fund Balance of \$376,153 after transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 11-13) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 11. The Statement of Net Assets is a way that helps determine if the District is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating.

REPORTING THE DISTRICT AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, the District shows all of the activities in one fund:

Governmental activities—All of the District's basic services are reported here, including the general and administration costs, contributions to other government agencies and depreciation expenses. Mineral Lease revenues and Payment in Lieu of Taxes revenues finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 14. The fund financial statements begin on page 14 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The District established other funds to help it control and manage money for particular purposes (capital projects and debt service payments) or to show that it is meeting legal responsibilities for using mineral lease funds, payment in lieu of taxes, grants, and other money. The District is operated with governmental funds, which uses a different accounting approach.

Governmental funds—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation schedule found on pages 15 and 17.

The District as Trustee

The District does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The District's Statement of Net Assets, which increased during the current calendar year, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. The government-wide financial statements include the District's activity only. If the District (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. Financial information for a component unit would be reported separately from the financial information presented for the primary government. The analysis below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

REPORTING THE DISTRICT AS A WHOLE (Continued)

Government-wide financial statements (Continued)

Table 1
Net Assets

	Governmental Activities	Governmental Activities
	2004	2005
Current and other assets	\$ 1,106,764	\$ 1,608,843
Capital assets, net	1,021,328	1,001,280
Total assets	\$ 2,128,092	\$ 2,610,123
Current liabilities		
Accounts payable		\$ 8,715
Long-term debt outstanding	\$ 47,000	
Total liabilities	\$ 47,000	\$ 8,715
Net assets:		
Invested in capital assets, net of debt	\$ 974,328	\$ 1,001,280
Restricted for:		
Capital projects	604,141	883,355
Debt service	1,007	50,039
Unrestricted	501,616	666,734
Total net assets	\$ 2,081,092	\$ 2,601,408

Net Assets of the District's governmental activities increased \$520,316 during the current year, compared to an increase of \$144,433 for the previous year. *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is \$666,734 at the end of the year. These net assets are used to finance the continuing operations of providing recreation activities and services to those who use and desire recreation's facilities and operations.

REPORTING THE DISTRICT AS A WHOLE (Continued)**Government-wide financial statements (Continued)**

Table 2
Changes in Net Assets

	Governmental Activities	Governmental Activities
	2004	2005
Revenues		
General Revenues:		
Mineral Lease revenue	\$ 491,037	\$ 625,551
Payment in Lieu of Taxes	112,363	115,816
Miscellaneous Income	9,000	14,951
Investment earnings	13,486	36,821
Total revenues	\$ 625,886	\$ 793,139
Program Expenses		
Recreation:		
Management fee		
General and administrative	\$ 53,135	\$ 74,627
Contributions to other govern.	363,553	123,972
Depreciation	64,765	74,224
Total expenses	\$ 481,453	\$ 272,823
Change in net assets	\$ 144,433	\$ 520,316
Net Assets - beginning	\$ 1,936,659	\$ 2,081,092
Net Assets - ending	2,081,092	2,601,408
Change in net assets	\$ 144,433	\$ 520,316

REPORTING THE DISTRICT AS A WHOLE (Continued)

Government-wide financial statements (Continued)

The District's operational goal for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to implement recreation projects, activities, recreation improvements, and purchase supplies and equipment that are appropriate and beneficial for recreation purposes.

Governmental Activities

Mineral lease funds for the District, which are the major revenue source, increased \$134,514 a 27.39 percent increase. Payment in Lieu of Taxes, which is another source of revenue, increased \$3,453 a 3.07 percent increase. Total expenses using these funds decreased \$208,630, a decrease of 43.33 percent. The largest source of funds (Mineral lease revenue) enables the District the opportunity to fund a variety of recreation improvements and recreation projects. Primarily, because of the increase in the Mineral Lease funds, the fund balances for governmental activities increased \$520,316 in 2005.

The cost of all governmental activities this year was \$272,823. As shown in the Statement of Activities on page 13, Mineral Lease and Payment in Lieu of Taxes revenue paid for the majority of these activities, and interest income was accumulated for future expenses. Overall, the District's governmental general revenues increased \$167,253 in 2005, a 26.72 percent change.

Costs of the District are centered within one program—Parks, recreation & public improvements. The net cost of expenditures (over) specific program revenues (none charged) shows the financial burden that utilizes the Mineral lease revenue, Payment in lieu of taxes and interest income.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised their budget once. The original budget was adopted on December 15, 2004 and was adjusted on December 28, 2005. The budget was amended to \$731,265 to account for an increase in transfers from the general fund to the capital projects fund. The differences in the original budget and final amended budget are summarized as follows: 1) increase in revenues for Mineral Lease revenue (\$300,000), increase in Payment in Lieu of Taxes (\$4,815), decrease in interest income (\$11,500), increase in miscellaneous (\$2,950); 2) decrease in operating expenditures (\$42,000), decrease in contributions to other agencies (\$15,000) and an increase in transfer to other funds (\$353,265)

The actual charges for expenditures in the general fund were \$136,587. This was \$119,213 below the final budget amounts. One of the most significant positive variance (\$20,028) occurred in contribution to other agencies.

Resources for revenues were \$628,267. This was \$102,998 below the final budgeted amount. The most significant negative variance (\$102,986) occurred in mineral lease revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2005, the District had \$1,001,280 (cost) invested in a broad range of capital assets, including buildings, building improvements, improvements other than buildings, and equipment (see Table 4 below). This amount represents a net decrease (including additions and deletions) of \$20,048, or a 1.96 percent decrease over the previous year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)
December 31, 2005

	Governmental Activities	Governmental Activities
	2004	2005
Buildings	\$ 706,270	\$ 672,611
Building improvements	47,556	41,154
Improvements other than buildings	219,610	243,065
Equipment	47,892	44,450
Total assets activities	<u>\$ 1,021,328</u>	<u>\$ 1,001,280</u>

This year's major additions includes:

Improvements other than buildings (paid with mineral lease and PILT revenue)	\$48,543
Machinery and equipment (paid with mineral lease and PILT revenue)	\$ 5,633

The District's calendar year 2006 capital budget calls for major spending on capital projects, including construction of a pool and an arena at an estimated cost of \$5,100,000. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term debt

As of December 31, 2005, the District paid off its bonds payable, therefore the District no longer has any debt outstanding. The following table (table 5) compares the debt balances between the current year and the previous year.

Table 5
Outstanding Debt as of
December 31, 2005

	Governmental Activities	Governmental Activities
	2004	2005
Revenue bonds payable	\$ 47,000	
Total debt	\$ 47,000	\$. . .

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

ECONOMIC FORECAST AND FUTURE BUDGET

Grand County's economic outlook is positive with tourism remaining its strongest industry. New small business ventures are growing as well. Oil and gas exploration and extraction is expected to remain consistent with previous years' performances. Real estate prices continue to rise, as Grand County becomes a destination for retirees and second homeowners.

Future budget constraints for the District are dependent on uncertain revenue sources and new long-term financial obligations. In 2006, the District will assume an annual payment of approximately \$90,000 for repayment of the bond to construct the county's new Community/Senior Center. Construction will be completed in the summer of 2005. This payment is double the current loan obligation to pay for the construction of the Old Spanish Trail Arena that was paid off in 2005. The District is currently in the process of determining the details of a long-range strategic plan for development of the Old Spanish Trail Recreation Complex, as well as recreation projects, programs, and facilities in other places in Grand County. This plan will help determine future budgeting needs.

ECONOMIC FORECAST AND FUTURE BUDGET (Continued)

The Grand County Council has pledged 48% of the PILT money to the District for payment of the bond on the Community/Senior Center. The District expects to receive 33 1/3% of the Mineral Lease monies as well, for the life of the loan on the new Community/Senior Center. The Mineral Lease funds are unpredictable from year to year, but have remained in excess of \$300,000 the past three years, mineral lease funds are expected to increase with future oil and gas exploration in Grand County and may exceed \$500,000 in 2006. The District maintains a healthy Capital Projects savings account that can be utilized in the event of an unexpected revenue shortfall.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Treasurer, Marcy Till at P.O. Box 715, Moab, UT 84532.

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
 <u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 50,014
Investments, at cost	1,386,213
Due from other governments	172,616
	<hr/>
Total current assets	\$ 1,608,843
	<hr/>
Noncurrent assets:	
Capital assets (Net of depreciation)	
Buildings	\$ 672,611
Building improvements	41,154
Improvements other than buildings	243,065
Machinery and equipment	44,450
	<hr/>
Total noncurrent assets	\$ 1,001,280
	<hr/>
Total assets	\$ 2,610,123
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"The accompanying notes are an integral part of this statement."

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	GOVERNMENTAL ACTIVITIES
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 8,715
Total liabilities	\$ 8,715
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 1,001,280
Restricted for:	
Capital Projects	933,394
Unrestricted	666,734
Total net assets	\$ 2,601,408
Total liabilities and net assets	\$ 2,610,123

"The accompanying notes are an integral part of this statement."

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government					
Governmental activities:					
Recreation					
Administration	\$ 74,627				\$ (74,627)
Contribution to other governments agencies	123,972				(123,972)
Depreciation	74,224				(74,224)
Total governmental activities	\$ 272,823	\$...	\$...	\$...	\$ (272,823)
General Revenues:					
Grants and contributions not restricted to specific programs:					
Mineral lease					\$ 625,551
Payment in Lieu of Taxes					115,816
Miscellaneous Income					14,951
Investment earnings					36,821
Total general revenues					\$ 793,139
Change in net assets					\$ 520,316
Net assets - beginning					2,081,092
Net assets - ending					\$ 2,601,408

"The accompanying notes are an integral part of this statement."

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
BALANCE SHEET
DECEMBER 31, 2005

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS DECEMBER 31, 2005</u>
<u>ASSETS</u>			
Cash	\$ 502,833		\$ 502,833
Investments, at cost		\$ 1,386,213	1,386,213
Due from other governments	44,079		44,079
Total assets	<u>\$ 546,912</u>	<u>\$ 1,386,213</u>	<u>\$ 1,933,125</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Cash deficit		\$ 452,819	\$ 452,819
Accounts Payable	\$ 8,715		8,715
Total liabilities	<u>\$ 8,715</u>	<u>\$ 452,819</u>	<u>\$ 461,534</u>
FUND EQUITY:			
Reserved for:			
Capital Projects		\$ 933,394	\$ 933,394
Unreserved, reported in:			
General Fund	\$ 538,197		538,197
Total fund equity	<u>\$ 538,197</u>	<u>\$ 933,394</u>	<u>\$ 1,471,591</u>
Total liabilities and fund equity	<u>\$ 546,912</u>	<u>\$ 1,386,213</u>	<u>\$ 1,933,125</u>

"The accompanying notes are an integral part of this statement"

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total fund balances - governmental fund types: \$ 1,471,591

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Buildings	\$ 672,611		
Building improvements	41,154		
Improvements other than buildings	243,065		
Machinery and equipment	44,450		
			1,001,280

Because mineral lease funds for the fourth quarter were not collected within 60 days of the District's fiscal year end, they are not considered "available" revenues in the governmental funds, therefore they have not been accrued as a receivable.

128,537

Net assets of governmental activities

\$ 2,601,408

"The accompanying notes are an integral part of this statement."

GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

				TOTAL GOVERNMENTAL FUNDS
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	DECEMBER 31, 2005
REVENUES:				
Intergovernmental revenue	\$ 612,830			\$ 612,830
Miscellaneous	15,437	\$ 2,033	\$ 34,302	51,772
Total revenues	\$ 628,267	\$ 2,033	\$ 34,302	\$ 664,602
EXPENDITURES:				
Current:				
Parks recreation and public property				
Maintenance and supplies			\$ 43,012	\$ 43,012
Insurance	\$ 4,421			4,421
Professional services	2,950			2,950
Dues and subscriptions	850			850
Contribution to other agencies	104,972		19,000	123,972
Bank charges	223			223
Office expense	1,268			1,268
Board member expense	789			789
Miscellaneous	21,114			21,114
Capital outlay			54,176	54,176
Debt service -				
Principal retirement		\$ 47,000		47,000
Total expenditures	\$ 136,587	\$ 47,000	\$ 116,188	\$ 299,775
Excess of revenue over (under) expenditures	\$ 491,680	\$ (44,967)	\$ (81,886)	\$ 364,827
OTHER FINANCING SOURCES (USES):				
Operating transfers in		\$ 47,000	\$ 458,039	\$ 505,039
Operating transfers (out)	\$ (455,000)	(50,039)		(505,039)
Total other financing sources (uses)	\$ (455,000)	\$ (3,039)	\$ 458,039	\$...
Excess of revenues and other sources over (under) expenditures and other uses	\$ 36,680	\$ (48,006)	\$ 376,153	\$ 364,827
FUND BALANCE, January 1, 2005	501,517	48,006	557,241	1,106,764
FUND BALANCE, December 31, 2005	\$ 538,197	\$...	\$ 933,394	\$ 1,471,591

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	364,827
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital assets (\$54,176) were exceeded by depreciation (\$74,224) in the current period.		(20,048)
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The issuance of long-term debt (e.g., bonds) provide current financial resources to governmental funds, while the repayment of the principal and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activity, principal payment on bonds is not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of revenue bonds and related items is as follows:

Repayment of bond principal		47,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues, expenditures and changes in fund balances.		128,537
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Change in net assets of governmental activities	\$	520,316
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"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
Mineral lease revenue	\$ 300,000	\$ 600,000	\$ 497,014	\$ (102,986)
Payment-In-Lieu-Of-Taxes	111,000	115,815	115,816	1
Interest income	12,000	500	486	(14)
Miscellaneous revenue	12,000	14,950	14,951	1
Total revenues	\$ 435,000	\$ 731,265	\$ 628,267	\$ (102,998)
EXPENDITURES:				
Current:				
Parks, Recreation and Public Property				
Contract labor	\$ 800	\$ 800	\$ 855	\$ (55)
Insurance	4,500	4,500	4,421	79
Professional services	3,000	3,000	2,950	50
Dues and subscriptions	1,000	1,000	850	150
Contributions to other agencies	140,000	125,000	104,972	20,028
Bank charges	400	400	223	177
Advertising	1,600	1,600	1,566	34
Office supplies	500	500	413	87
Board member expense	1,000	1,000	789	211
Miscellaneous	160,000	118,000	19,548	98,452
Total expenditures	\$ 312,800	\$ 255,800	\$ 136,587	\$ 119,213
Excess of revenue over (over) expenditures	\$ 122,200	\$ 475,465	\$ 491,680	\$ 16,215
OTHER FINANCING SOURCES (USES)				
Operating transfer (out)	(122,200)	(455,000)	(455,000)	
Excess of revenues and other sources over (under) expenditures and other uses		\$ 20,465	\$ 36,680	\$ 16,215
Fund balances - beginning of year	\$ 501,517	\$ 501,517	501,517	
Fund balances - end of year	\$ 501,517	\$ 521,982	\$ 538,197	\$ 16,215

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY RECREATION SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. HISTORY AND ORGANIZATION

Grand County Recreation Special Service District was established by the Grand County Board of Commissioners for the purpose of operating and funding public recreation programs and facilities within the district boundaries. Funding for the District is provided primarily from allocations of mineral lease monies received by Grand County under the "Mineral Lands Leasing Act," 30 U.S.C. Sec. 191. The mineral lease payments received by the County are determined by state law based on the proportionate amount of federal mineral lease money generated by the County in which the special service district is located. Grand County allocates a portion to the Recreation District under an interlocal agreement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grand County Recreation Special Service District have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statements include the following:

1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all of the District's activities.

2) A change in the fund financial statements to focus on the major funds.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity

All financial activities over which the District has financial responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of financial accountability; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, the District is considered a "Component Unit" of Grand County, and has been included in the County's financial statements, which can be obtained from the County's administrative office in Moab, Utah.

B. Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Primary Government

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes and all other intergovernmental revenues are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

D. Capital Assets

Capital assets, which include, land, buildings, improvements, and machinery and equipment are reported in the government-wide financial statements. The District has not defined a specific cost amount for their capitalization policy relating to capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

Buildings, improvements, machinery and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 35
Improvements	10 - 20
Machinery and Equipment	5 - 10

E. Budgeting

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted for all funds that require a budget.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31st, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting (Continued)

9. The budget may be amended to reflect changes in circumstances, which occur during the year. Budgets may be increased by the resolution of the Board at any time during the year, provided a public hearing has been held regarding any proposed increase.
10. Under the Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

G. Receivables

Receivables in the governmental activities consist of amounts due from state government where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. The amount shown as due from other governments is the quarterly payment of mineral lease money.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

3. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$77,841 of this amount \$77,841 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

3. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 1,386,213	\$ 1,386,213			
Total Investments	\$ 1,386,213	\$ 1,386,213	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 1,386,213				\$ 1,386,213
Total	\$ 1,386,213	\$...	\$...	\$...	\$ 1,386,213

3. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$1,386,213 invested in the Public Treasurer's Investment Fund and was held by them.

4. **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Work in progress				
Total capital assets not being depreciated	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>
Capital assets being depreciated:				
Buildings	\$ 1,178,065			\$ 1,178,065
Buildings improvements	90,802			90,802
Improvements other than buildings	288,285	\$ 48,543		336,828
Machinery and equipment	<u>124,530</u>	<u>5,633</u>		<u>130,163</u>
Total capital assets being depreciated	<u>\$ 1,681,682</u>	<u>\$ 54,176</u>	<u>\$...</u>	<u>\$ 1,735,858</u>
Less accumulated depreciation for:				
Buildings	\$ 471,795	\$ 33,659		\$ 505,454
Buildings improvements	43,246	6,402		49,648
Improvements other than buildings	68,675	25,088		93,763
Machinery and equipment	<u>76,638</u>	<u>9,075</u>		<u>85,713</u>
Total accumulated depreciation	<u>\$ 660,354</u>	<u>\$ 74,224</u>	<u>\$...</u>	<u>\$ 734,578</u>
Total capital assets being depreciated, net	<u>\$ 1,021,328</u>	<u>\$ (20,048)</u>	<u>\$...</u>	<u>\$ 1,001,280</u>
Governmental activities capital assets, net	<u>\$ 1,021,328</u>	<u>\$ (20,048)</u>	<u>\$...</u>	<u>\$ 1,001,280</u>

4. **CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:

Parks and Recreation	\$ 74,224
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Total depreciation expense - governmental activities	<u>\$ 74,224</u>
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5. **LONG-TERM DEBT**

The District has a bond obligation to the Permanent Community Impact Board, entitled Grand County Recreation Special Service District Exposition Center Revenue Bonds, Series 1990. The loan was originally \$615,000 and is repayable without interest as noted below. The proceeds were used to help construct the Old Spanish Trail Arena, a convention/equine center, south of Moab, Utah that was completed in 1992. As part of the loan document provisions, Grand County pledged 48% of its annual receipt of Mineral Lease Allocations, received under the "Mineral Lands Leasing Act," 30 U.S.C. Sec. 191, and allocated to the County under Utah Code Sections 59-21-1 and 59-21-2(2)(g). The pledged revenues are to be transferred to the District to service the debt, until the debt is completely retired. The obligation is not a general obligation, but is repayable solely from the pledged revenues and any net revenues the district receives from operation of the facility.

Long-term debt changed during the fiscal year as follows:

Total Outstanding at the Beginning of the Year	\$ 47,000
Principal Payments Made during the Year	<u>(47,000)</u>
Balance Outstanding at the End of the Year	<u>\$...</u>

6. **BENEFITS**

Grand County Recreation Special Service District does not have employees and therefore, no benefits are provided.

7. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured through commercial companies for its general liability coverage. At December 31, 2005, the District had no claims or judgments filed against it related to the risks mentioned above.

8. ECONOMIC DEPENDENCY

Nearly all revenue received by the District is derived from mineral leasing funds allocated to counties. These funds are paid to the State of Utah and subsequently allocated to counties based on the production or extraction of minerals within each County. Therefore, currently, the District is almost entirely dependent on the success of industries, which extract minerals from Grand County.

9. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SMUIN, RICH & MARSING

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Grand County Recreation
Special Service District
Moab, Utah 84532

Re: Report on Legal Compliance with
Applicable Utah State Laws and
Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities and each major fund of Grand County Recreation Special Service District (a component unit of Grand County) for the year ended December 31, 2005 and have issued our report dated June 8, 2006. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2005. The District received the following major State assistance programs from the State of Utah:

Mineral Lease (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Audit Guide including:

Public Debt	Cash Management
Purchasing Requirements	Budgetary Compliance
Truth in Taxation and	Other Compliance Requirements
Property Tax Limitations	Special Districts

The District did not receive any nonmajor State grants during the year ended December 31, 2005.

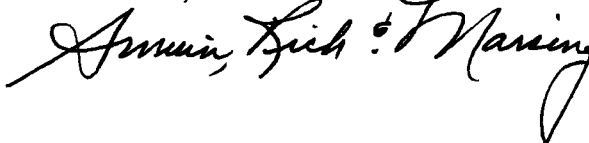
The management of Grand County Recreation Special Service District is responsible for the District's compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Grand County Recreation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2005.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Armin Rich & Marsing", written over the printed firm name.

Price, Utah

June 8, 2006

SMUIN, RICH & MARSING

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Administrative Control Board
Grand County Recreation Special Service District
Moab, Utah 84532

RE: Report on Internal Control Over Financial
Reporting and on Compliance and Other
Matters Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of Grand County Recreation Special Service District as of and for the year ended December 31, 2005, and have issued our report thereon dated June 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

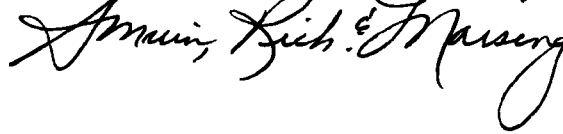
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and Administrative Control Board. It is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name.

Price, Utah

June 8, 2006

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Administrative Control Board
Grand County Recreation Special Service District
Moab, Utah 84532

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Grand County Recreation Special Service District for the year ended December 31, 2005.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all-inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

FUND BALANCE LIMITATION

Districts are permitted to accumulate earnings or fund balances, as appropriate, in any fund. With respect to the general fund only, any accumulated fund balance is restricted to the greater of the following:

- 1) 100% of the current year's property tax or
- 2) 25% of the total general fund's revenues for districts with annual general fund budgets greater than \$100,000 or 50% of the total general fund revenues for districts with annual general fund budgets equal to or less than \$100,000.

The District's fund balance at the end of the year is in excess of the amount allowed by the State's fiscal procedures act. The District needs to reduce the fund balance in the General Fund. There are several different methods that can be used to reduce the fund balance in the General Fund.

We recommend the District review the options available to reduce its fund balance and take appropriate action.

District Response – The District will review State of Utah policies and determine if the District's general fund balance exceeds appropriate levels and if necessary make changes to bring the general fund balance into compliance.

TREASURER'S BOND

The State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of its prior years budgeted gross revenues. This is according to Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council. We have calculated the amount that is required for the fidelity bond and the District is not bonded for an adequate amount. The amount of the bond for the District should have been at least \$41,466 but was only \$40,000. For the year ending December 31, 2006, the County should be bonded for 7% of the total budgeted revenues for the year ended December 31, 2005. It is estimated that the District should have a bond in the amount of \$53,639 for the year ended December 31, 2006. We recommend the District comply with State Law and adjust the amount of the fidelity bond to meet levels required by the State of Utah.

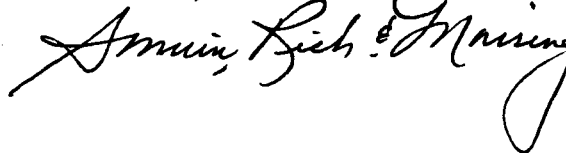
District Response – The Budget of the District has changed significantly over the last several years. We will again review the State requirements relating to bonding and make any changes necessary to bring the District into compliance.

SUMMARY

Overall, we feel the accounting procedures and internal control items mentioned above are areas where the District can make changes to improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Armin, Rich & Marsing". The signature is written in dark ink and is positioned below the printed name of the firm.

Price, Utah

June 8, 2005